

CORPORATE SOCIAL RESPONSIBILITY – THE TATA WAY

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Abstract:

In current scenario, CSR has been gaining ground, revolving around the idea that what is good for the environment, the workers and the community is also good for the financial performance of the business. CSR is associated with the principles of sustainable development, according to which company should be obliged to make decisions based not only on financial / economic factors but also on the social, environmental and other consequences of their activities. Triple bottom line (TBL) considers the three parameters to gauge business performance that is- Economic, Environmental and Social factors. This paper studies CSR practices of Tata group using case method. The paper includes review of literature on CSR practices and then throws a light on various initiatives and business practices undertaken by the Tata group in relation to CSR.

Key words:

Corporate Social Responsibility, Sustainability, TBL

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Introduction:

Till the late 20th century, the mission of business firms was only about economic gains. With the business environment being considered by various developments including the swing of power from Capital to knowledge, increase level of literacy and the evasion of geographical boundaries due to improved travel and communication method people by and large are becoming more conscious of their rights, which has led to a rise in the expectations of society from business.

In past few decades the nature of the involvement of business house with social causes has under gone a change. It has moved away from dependence & charity to empowerment and partnership. In today's well-informed world, the setting up of a business on the basis of financial strength is not a license only to mint money but the business has to be sensitive to the expectations both of society and regulators. Business has to associate themselves with various groups in the society. According to Buchholz (1989), "today it is clear that the terms of the contract between the society and business are in fact changing substantially. Business is being asked to assume broader responsibility to the society than ever before and to serve to wider range of human values. Business enterprises, are being asked to concentrate more to the quality of life than just supplying quantities of goods and services."

Objective:

The present research has been undertaken to study the concept of CSR and CSR practices with reference to Tata Group.

Literature Review:

Studies have been undertaken on the social responsibility process in different countries. Wokutch (1990) has presented the Japanese way of corporate social responsibility, especially in terms of work related safety and health practices of the Japanese firms. Because of the personnel philosophy, Japanese corporations, which gave more importance to human resources, safety procedures and occupational health and safety, are incorporated into the core of the production system in Japanese firms. This integration includes high level of labor and management participation in safety and health committees and meetings,

emphasis on training activities, pursuit of zero accident campaigns, the use of staff specialists as advisors, delegation of operational responsibility to line managers and workers, and effective dual emphasis on behavioral and engineering orientations to promote safety and health. In Japanese firms, safety and health managers are among the first personnel hired so that consideration for safety and health can be incorporated at the earliest stages of the planning process. In these instructions are followed. Moreover, Japanese firms cooperate with governmental safety regulations and take their advice and regulatory agencies as interference in their work. Thus, Japanese firms are firms for performance of social responsibilities, which can be learnt by other firms to become more socially responsible.

As per Bowen, “CSR refers to the obligations of businessman to pursue those policies to make those decisions or to follow those lines of relations which are desirable in terms of objectives and values of our society.” Goyder (2003) argues, “Industry in the 20th century can no longer be regarded as a private arrangement for enriching shareholders. It has become a joint enterprise in which employees, management, consumers, the locality, government and trade union officials all play a part. If a system which we know by the name private enterprise is to continue, some way must be found to embrace many interests whom we go to make up industry in a common purpose.” Frederick (1960) stated, “Social responsibility means that businessmen should oversee the operation of an economic system that fulfills the expectations of the people.” Davis (1960) argued that social responsibility is a new nebulous idea but should be seen in a managerial context. He asserted that some socially responsible business decisions can be justified by a long complicated process of reasoning as having a good chance of bringing long- run economic gain to the firm, thus paying it back for its socially responsible outlook.” CSR implies some sort of commitment through corporate policies and actions. This operational view of CSR is reflected in a firm ‘s social performance , which can be assessed by how a firm manages its societal relationships , its social impact and the outcomes of its CSR policies and actions(Wood,1991).Kumarmangalam Birla, chairman, Aditya Birla Group says, “The days are long past when the business of business was just business. The idea that a corporation is merely a legal abstraction devoid of heart and soul, no longer has legitimacy. The corporations may be an economic wunderkind, but it falls short and often falls apart if it does not meet the needs of society, or if it does not act with conscience.” Indra K. Nooyi, CEO and president of pepsi co. states that, “If you are not sensitive and responsible to the society you operate in, you would be soon out of the business.” Joan Kenneth Galbraith an influential American economist, the US ambassador to INDIA from 1961-1963, and candidate for the Nobel prize in economics for 2003, insisted that growth led by large corporations must be accompanied by a safety net for the poor. James E. Post, Lee E. Preston and Sybillee Sachs, in their book titled, Redefining the corporation: Stakeholder management and Organizational wealth, defines stakeholder as, “The Stakeholders in a corporations are the individuals and communities that contribute, voluntarily or involuntarily, to its wealth creating capacity and activities and that are, therefore, its potential beneficiaries and /or risk bearers.”

Although economic considerations constitute the main driving factor in any business activity, there is growing resistance against the conventional view that business is chiefly a means for only improving the economic condition of an individual or a group of individuals. Social responsibility includes understanding and working on complex issues like poverty alleviation, health care, education, water and sanitation, environment, gender human rights, political activism, decentralization and so on.

Research Methodology:

The study involves Corporate Social Responsibility followed by Tata group. This is particularly secondary data which is collected through Books, Magazines and websites. A literature survey regarding the topic and related concepts has been done.

Triple Bottom Line, CSR and Tata:

The term triple bottom line was coined by sustainability limited (www.sustainability.com), an international business consultancy, founded in 1987, headquartered at London with offices in Europe and United States, and with a network of partnerships around the world, particularly in the emerging economies of China, South Africa, Brazil and India.

According to sustainability, 'The Triple Bottom Line focuses corporations not just on the economic value they add and destroy. At its finest, the term Triple Bottom Line is used as an outline for measuring and reporting corporate performance against economic, social and environmental constraints. In the wider sense, the term is used to capture the ideas of values, concerns and processes that companies must address so as to minimize any harm resulting from their activities and to generate economic, social and environmental value.

These three formulations are aimed at long-term sustainability. Economic sustainability must focus on the long term. A decision which creates an economic boon in the short-term, but causes long-term harm, would likely reduce this bottom line to such a degree that the action would be unsustainable.

Social sustainability gives preference on the balance of economic power in the society. Competition in the business field is common, but maximizing the bottom line in social terms requires that a business adopt an environment in which all can succeed. This may seem unrealistic, but in the big-picture it is better for a whole society. This will allow the company to continue to exist, and it will nurture good-will between the company and the society that it exists in.

The requirement of environmental sustainability shoots from the recognition that resources are not infinite, and leads to the thinking that too much degradation will deteriorate the lives of ourselves, our children and so on. Members of the moral community should not cause undue harm to the people around them and the people who will come later, and so this bottom line values some protection of the environment. Efforts should be made to preserve the current environment and renew some of the environments that have been harmed in the past, and these environmental harms and gains belong on this bottom line.

Corporate Social Responsibility (CSR) can be stated as 'The ethical behavior of business towards society'. In recent years business case for CSR has been gaining ground, moving around the idea that what is good for the environment, the workers and for the community is also good for the financial performance of the business. It is often described as 'performance with a purpose'. CSR is associated with

the principles of sustainable development, according to which companies should not only make decisions based only on financial or economic factors but also on the social and environmental field.

It has been observed that the Tata Group has been a pioneer not only in corporate India, but also has been a leader of its kind in the social sphere as well. It has contributed significantly to nation building. Among other initiatives for social development and welfare, it has also established eminent institutions, such as, the Indian Institute of Science (IISc), the Tata Institute of Fundamental Research (TIFR) and the Tata Institute of Social Sciences (TISS).

- The Tata Way:

“In a free enterprise, community is not just another stakeholder in business but is in fact the very purpose of its existence”.

-Jamshedji Tata, Founder of Tata Group

Tata group has always given paramount importance to Corporate Social Responsibility. They have always believed in the philosophy of ‘Leadership with trust’. Tata believes that CSR is neither an externalize activity nor a mere philanthropy. It is an internal process critical to the success of the corporation. Jamshed Irani, Director, Tata sons Ltd., says that the Tata believes in, ‘give back to the people what you have earned from them’. So from the very inception, Jamshedji Tata Have been following this principle and he believes that for the long run sustenance of any business one has to look beyond business and following this belief following measures were initiated by them for welfare of the society.

	<i>Tisco introduction</i>	<i>Enforced by law</i>	<i>Legal Measures</i>
5 hour working day	1912	1948	Factories Act
Free medical Aid	1915	1948	ESI Act
Welfare Department	1917	1948	Factories Act
Works committees	1919	1947	Industrial Disputes Act
Leave with Pay	1920	1948	Factories Act
Provident Fund	1920	1952	Employees P.F. Act
Accident Compensation	1920	1924	Workmen’s Compensation Act
Training of Apprentices	1921	1961	Apprentices Act
Maternity Benefit	1928	1961	Maternity Benefit Act
Profit Sharing Bonus	1934	1965	Payment of Bonus Act
Gratuity	1937	1972	Gratuity act

The Areas of Impact that are found in TATA can be enumerated as follows:

- Relations with Employees
- Environment
- Community services & civic amenities
- Economic Growth
- Health and Sports
- Managing Population
- Education
- Arts and Culture
- Relief during natural calamities.

Towards Government and society- TATAS never believed in tax avoidances leave alone tax evasions. JRD Tata was the view that though tax avoidance was legal it was not right. All this generosity did not compromise with the objective of shareholder wealth creation. In the pre-liberalization era, the flagship Tata group companies like Tata steel, always ranked as best performing companies by the business magazines like *Business Today*.

After liberalization, Tata group realized that they need to add more institutionalized practices and standards to fulfill their responsibility towards the stakeholders. The following sections discuss standards.

Five Core Values:

One of the first initiatives which drive down the values of the promoters to the bottom of the organizational hierarchy is, defining the core values properly. Tata group has defined their core values as follows:

Integrity

Tata believes that business must be conducted with honesty and transparency. Everything that they do must stand the test of public scrutiny.

Understanding

Tata believes in showing care, respect, compassion and humanity for its colleagues and consumers around the world and always work for the benefit of the community it serves.

Excellence

Tata makes a conscious effort to achieve the highest possible standards in the day-to-day work and in the quality of the goods services provided.

Unity

Tata believes in cohesive work with the customers and partners around the world, building strong relationships based on forbearance, understanding and mutual cooperation.

Responsibility

Tata continues to be responsible, profound to the countries, communities and environment in which it works, always ensuring that what comes from the people should go back goes to the people many times over.

The house of Tata had a progressive and nationalistic outlook right from the very beginning. Jamshedji Tata, the founder of House of Tata said, “We do not claim to be more unselfish, more generous or more benevolent than other people. But we think, we began on sound and generous business principles considering the interest of the shareholders as our own, and the health and wellbeing of the employees, the sure foundation of prosperity”.

- Tata Teleservices–Amba Initiative–The Company has offloaded back office work with a NGO that cares for mentally retarded children .

- Tata Motors– Grihini Udyog:

The company has a MoU with a Co-operative society of spouses of employees to produce ingredients for the canteen, they assemble parts for the vehicle and the third generation is now doing computer data and information management.

Titan Industries-Many years ago ,Titan set up an NGO for the disabled in the locality and trained them to supply parts, engaging mainly adolescent girls, thereby ensuring they latch upon to the company’s progress.

- A forum for special education:

Tata Interactive develops a distinctive teaching process for children with Learning Difficulty /Disability (LD) using e-learning technology. A team of officials volunteer to develop this process and generate a business alternative. The company has created the Learning Disability Forum to take this forward in accordance with the consensus of stakeholder.

- Innovations to serve safe drinking water:

Tata Projects– develops sea water desalination- water related treatment plants.

This spreads to Andhra Pradesh, Punjab, Rajasthan, Karnataka, Tamilnadu & Maharashtra, 173 units have been supplied with 5 lac beneficiaries. The company has a co-operation agreement with Naandi Foundation to take this forward through its “Community Safe Drinking Water”programme”.

- Tata Power:

Tata Power has created and conserved large reserves of bio-diversity in and around its operations. Tata Power has provided sufficient training to teachers and students from more than 2000 schools in participatory forestry, preserving and growing biodiversity in and around their locations. Tata Power has protected remarkable amount of wildlife and endangered species such as 325 bird species, 330 species of butterflies, 221 species of amphibians, 157 species of reptiles and 125 species of mammals.

Findings:

The CSR activities in Tata-

- Aligns profitability with sustainability
- Enhances brand equity
- Ethical responsibilities which the society expectations are observed
- Voluntary contribution of the business to the various social causes
- Anticipates future regulatory changes
- Enabling a smooth leadership transfer
- Institutionalization of Tata's culture for future generations

Conclusion:

CSR is now the focus of all business entities. Tata's are a committed and exemplary performance of Tata group in the field of CSR, with strong practical implications and excellence in performance is worth being appreciated. Through Practical implications of CSR in Tata group it is serving the Community, increasing Human Excellence and Improving the Quality of Life, integrating Environmental Management with Social Development, Sharing basic skill and technology with the underprivileged, Culture of offering, Organizational and Personal Learning, institutionalizing Social Responsibility in the Business Process. Tata's have already set high standards for CSR which shall be valued, appreciated and followed by the generations to come.

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